SB 438 – 3 minutes

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I'd like to address three issues related to SB 438:

1. Elimination of net metering- 40% reduction in energy credits
2. Cost of compliance ($1500+) to current and future net metering/distributed energy customers
3. The effect on the solar business sector in Michigan – all will go out of business.

Elimination of Net Metering

Consumers Energy, for example, has about 1800 net metering customers (0.06% of their 3.2 million customer base). They all made a good-faith investment in their renewable energy systems in the belief that net metering was a long term program. SB 438 has no provision for grandfathering current net metering participants, so all will be required to comply with the new law.

Under SB 438, current and future net metering ("Distributed Generation") customers will be required to invest over $1500 in new equipment to meet the proposed law. The specific provision is that they separate renewable energy production from utility energy delivery. This requires a new $1500 electrical service at each site.

Proportionality – Why is this Important?

The average Consumers Energy net metering customer generates about $800 in energy credits per year. About 40% of energy cost is distribution, so the average CE customer would see their annual credits decrease by about $320 under SB 438.

Common statement: "Net metering customers are a burden on regular rate payers because they don't pay the cost of distribution".

Reality check: How big is this burden on rate payers? If $320/year in distribution is recovered from net metering customers, 10 cents per year will be subtracted from the average rate payer's bill! Less than one penny per month! This over 100 times the charge for Low Income Assistance. None of the nine monthly line charges approaches this one cent charge!

Why is this even an issue?

Cost of Compliance

Under the bill (Sec 177(2), 175(1), and 173(2), generation and consumption need to be separated at the service. Energy used at the site is on one meter; Energy returned to the grid is on a second meter. The Consumers Energy EARP system (Experimental Advanced Renewables Program) works exactly like this: A meter is installed for solar generation and a second meter is installed for consumption. Leelanau Solar has installed several EARP systems and the cost will be $1500-$2000 per site under SB438.

Under SB 438[177(2)], the utility customer pays for all costs of distributed generation:

- $400-dual meter socket
- $150-revenue grade meter
- $150-electrical permit
- $50-electrical inspection
- $500-electrician
- $500+ for the three utility workers - line worker, engineer, meter setter (who must all be at the site)

The Result: Under SB 438 (Sec 177), all current net metering customers will be required to invest $1500-$2000 to install dual meter systems and receive 40% less in energy credits. There is no ambiguity in SB438 – "Distributed Energy" customers will absorb all costs. Two meters are required to meet the SB438 distributed energy requirements. There is no technology that can reduce these costs.

Who are these customers – who will be affected?

- The 10 *Habitat for Humanity* "all-solar" homes in Traverse City. Each will now be required to install $1500+ of equipment to get 40% less for their solar production. These are net-zero homes for all heating, AC, and appliances. They are the model for low cost housing in Michigan.
- Customers with small, ($5000-6000) installations who have been on net metering. "What? I have to install $2000 of equipment to continue net metering?"
  All this is to save the average Michigan rate payer 10 cents per year?

The Effect on Solar Business in Michigan

It's quite simple: Nearly every solar business in Michigan will cease to exist within a year. The current model of a 10-12 year payback under net metering is a tough sell. Stretch that to over 20 years under SB438 requirements, and no one will be interested. I've already had two contract cancellations from people who became aware of SB438. High cost of compliance for SB438 and too much uncertainty. This will quickly ripple through the entire solar industry.

The first to go will be the small installers who have developed good business models based on current net metering provisions – like me. Next will be those who made large investments in solar infrastructure such as Patriot Solar, CBS Solar, and Suniva.

This is not what Michigan should be doing – eliminating an entire, growing sector of the economy.

The result will be 100s of solar jobs lost in Michigan for no benefit to the economy or citizens.

But – Each rate payer may see a 10 cent per year reduction in their electric bill . . .

Notes: 177(2) is technical nonsense. There is no single metering system that can separately measure inflow and outflow when there is a local generation system behind the meter. Not possible! 177(3) is the only way to measure inflow and outflow separately. It requires two meters and two utility electrical services at the site.